

Message Text

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ACTION ARA-14

INFO OCT-01 EA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-08

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-05 CEA-01 L-03 H-01 EUR-12 PA-01 PRS-01 /111 W

-----117848 080433Z /20

R 071200Z OCT 77

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 4059

INFO AMEMBASSY TOKYO

AMEMBASSY ROME

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

LIMITED OFFICIAL USE BRASILIA 8191

EO 11652 NA

TAGS SINV BEXP BR

SUBJECT: TUBARAO STEEL MILL APPEARS STALLED

REF: BRASILIA 8048 (NOTAL)

FOLLOWING REPORT PREPARED IN AMCONSUL RIO.

1. CONGEN RIO E/C SECTION CHIEF AND REGIONAL MARITIME

ATTACHE VISITED VITORIA, CAPITAL OF ESPIRITO SANTO STATE

AND SITE OF TUBARAO IRO-ORE COMPLETED

TACVRD, ON OCT.9:U/AT. DISCUSSIONS WITH GOVERNOR AND OTHER STATE GOVERNMENT AND CVRD OFFICIALS APPEAR TO CONFIRM THAT US DOLS 2.3

BILLION FIRST STAGE OF LONG-PLANNED STEEL PLANT, SCHEDULED

TO BEGIN CONSTRUCTION THIS YEAR, WILL BE DELAYED.

ALTHOUGH PRESS REPORTS INDICATE THAT GOB IS STILL

HOPEFUL THAT JAPANESE AND ITALIAN PARTNERS IN VENTURE (AT

24.5 PERCENT EACH) WILL INCREASE THEIR EQUITY TO A THIRD EACH

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(REDUCING THE CVRD SHARE FROM 51PERCENT TO 33 PERCENT),

VITORIA OFFICIALS WERE QUITE PESSIMISTIC. FYI CVRD IS LARGE

GOB-OWNED MINING OPERATION. END FYI.

2. VAST TUBARAO COMPLEX IS ALREADY IN MIDST OF LARGE EX-

PANSION OF PORT FACILITIES AND ADDITION OF THREE NEW

PELLETIZATION PLANTS (TWO IN JOINT VENTURES WITH ITALIANS

AND SPANISH AT 3 MILLION TONS EACH, AND ONE WITH JAPANESE FOR 6 MILLION TONS). THIS WILL BRING TOTAL PELLET COMPLEX TO SIX PLANTS, REPRESENTING INVESTMENT OF SOME US DOLS 400 MILLION. STATE INDUSTRIAL FEDERATION PRESIDENT (AND SECRETARY OF INDUSTRY AND COMMERCE UNTIL 2 WEEKS AGO) OSWALDO VIEIRA

MARQUES STATED VITORIA AREA INFRASTRUCTURE WOULD HAVE BEEN HARD-PRESSED RIGHT NOW TO SUPPORT ADDITIONAL 4-5,000 CONTRACTOR PERSONNEL REQUIRED FOR STEEL PLANT, IN ANY CASE. THERE ARE SOME 7,500 CONSTRUCTION PERSONNEL WORKING ON OTHER TUBARAO PROJECTS, IN ADDITION TO 3,500 PERMANENT WORKERS, AND OTHER CONSTRUCTION (INCLUDING MAJOR PORT EXPANSION AND ARACRUZ CELLULOSE COMPLEX) IN VICINITY IS STRAINING EXISTING SOCIAL AND ECONOMIC CAPACITY. VIEIRA MARQUES CLAIMED THAT POSTPONEMENT OF TUBARAO STEEL COMPLEX UNTIL EARLY EIGHTIES WAS ONLY RATIONAL APPROACH. NEW SECRETARY OF INDUSTRY AND COMMERCE THEODORICO FERRACO, WHO DISAGREES WITH VIEIRA MARQUES ON ALMOST EVERYTHING (HAVING REPLACED HIM AS RESULT OF BITTER DISPUTE OVER INDUSTRY NONETHELESS COINCIDED WITH EX-SECRETARY'S VIEW OF DESIRABILITY OF POSTPONING TUBARAO STEEL PLANT.

3. DURING BRIEF COURTESY CALL, GOVERNOR ELSIO ALVARES ALSO MENTIONED LIKELY POSTPONEMENT, THOUGH LEAVING OPEN SMALL POSSIBILITY THAT ITALIAN AND JAPANESE PARTNERS MIGHT, IN FACT, COME UP WITH SUFFICIENT ADDITIONAL FINANCING TO PERMIT LIMITED OFFICIAL USE

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RELATIVELY QUICK BEGINNING OF CONSTRUCTION. ALVARES LIKEWISE POINTED TO NEED TO DECENTRALIZE INDUSTRIAL DEVELOPMENT IN ESPIRITO SANTO, SAYING THAT STATE AND FEDERAL GOVERNMENTS HAD MADE LARGE INFRASTRUCTURE INVESTMENTS (INCLUDING BIGGEST PER CAPITA SPENDING ON HOUSING AND EDUCATION OF ANY BRAZILIAN STATE) IN VITORIA AREA -- BUT THAT SUCH SPENDING COULD NOT CONTINUE AT PRESENT RATE.

4. COMMENT: ESPIRITO SANTO OFFICIALS MAY SIMPLY BE ENGAGED IN "SOUR GRAPES" OPERATION, ALTHOUGH IT WAS INTERESTING TO NOTE THAT THEY DID NOT HEDGE REGARDING OTHER INVESTMENT PROJECTS. FOR EXAMPLE, SEVERAL OFFICIALS INSISTED THAT LONG-TOUTED NAVAL REPAIR FACILITY PROJECT WAS STILL ON TRACK -- THOUGH PRIVATE SECTOR CONTACTS TOLD US THAT STATE GOVERNMENT HAD IN FACT GIVEN UP BUT COULD NOT PUBLICLY ACKNOWLEDGE PROJECT'S ABANDONMENT. IT IS ALSO NOTEWORTHY THAT PROPOSED TUBARAO OUTPUT IS SEMI-FINISHED SLABS, MAINLY FOR EXPORT, AND THAT NO FACILITY IN STATE WILL BE IN POSITION TO USE TUBARAO OUTPUT FOR FURTHER PROCESSING.

5. REGIONAL MINERALS OFFICER CONCURS.

6. AIRGRAM FOLLOWS WITH FULL REPORT ON VISIT.

UNQUOTE
CRIMMINS

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Message Attributes

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Sent Date: 07-Oct-1977 12:00:00 am
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